

COMMENTARY

The competitive alternative

Why many Maine businesses would be better off buying power in the open market

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If you operate a medium or large business in Maine, as measured by your demand for electricity, you have a choice. You can buy your electricity in the competitive market from what is known as a competitive electricity supplier or you can take "standard offer" power, which is arranged by the Maine Public Utilities Commission. Customers who value longer-term price stability may want to consider the first of these alternatives.

To put this choice in perspective, electricity (sometimes referred to as power or energy) is now provided separately from electricity delivery. Delivery is a monopoly service furnished by a utility (e.g., Central Maine Power or Bangor Hydro-Electric) at rates set by the PUC. You have no choice in procuring this service. By contrast, power is now sold by companies that decide to compete in that market. You can buy from any such company interested in selling to you. The standard offer exists for customers who choose not to buy in the market or for whom there is no available supplier. The price of standard-offer power is set in a bidding process conducted by the PUC.

A recent change in how the PUC conducts the standard-offer bidding process for medium and large customers may give you reason to look into the competitive market if you have not already done so. Previously, this power was obtained for periods of one

year or longer, but last year the PUC shortened the terms for medium and large customers to six months (except in northern Maine). This means that the price of that power may change every six months.

The PUC made this change because standard offer power is not designed to compete with the private market, but rather to offer a safety net for those customers who do not or cannot obtain power in the competitive market. To avoid interfering with the private market, the PUC concluded that the standard offer price should be as close as possible to the price of power in the spot market. (The same is not true, however, for residential and small business customers, since, except to a limited extent, competitive suppliers are

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not seeking to sell to them. Thus, the PUC generally procures standard offer power for those customers on a multi-year basis.)

For medium and large customers, this means that if you take the standard offer, you only have price certainty for six months. Even if you find the current standard offer price reasonable, you run the risk that it will not be so when the standard offer expires and a new bid process is conducted. And seeking a competitive supplier when standard offer prices rise is not likely to be a winning strategy; if standard offer prices have increased, the same likely will be true for competitive prices,

as both are driven to a large extent by prices in the wholesale market.

If you decide to buy in the market, you will be in good company. Almost 90% of the power bought by large customers in Central Maine Power's service area, and more than 90% in the Maine Public Service area, is now bought from competitive suppliers. Among medium customers, more than a quarter of the power in Bangor Hydro's service area, more than a third in CMP's territory and almost two-thirds in the MPS territory is being purchased in the market.

You also may wish to join others who are buying most or all of their electricity using a special product known as "green" power, which, although it tends to be more expensive, is produced from renewable sources like hydro or biomass, and in some cases wind or solar energy. To learn more, visit www.maine.greenpower.org.

To explore your competitive options, contact the suppliers serving your customer class. For a list, visit www.maine.gov/mpuc/ElectricSupplier/ceplist.htm or call the PUC at 1-877-PUC-FACT. If you are unsure whether you are a medium or large customer, check your bill or call your distribution utility.

When you shop, take care to avoid the opt-out fee, which was implemented to prevent gaming of the market. The fee is assessed when a medium or large customer who has previously bought in the competitive market returns to standard offer service for less than 12 months. You should

ask your supplier or contact the PUC if you have questions about this fee.

If you are a medium or large commercial consumer who has not recently explored your competitive options, now is a great time to do so. The PUC just announced new standard offer prices for medium and large consumers in the BHE and CMP service areas effective Sept. 1, so by checking our website at www.maine.gov/mpuc you can have the latest default prices in hand as you shop. But remember, the standard offer changes again March 1, so if longer-term price certainty is important to you, you may be better served by the market. ■